



COLORADO FISCAL POLICY INSTITUTE

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The next round of budget cuts

*Colorado's most vulnerable residents are at risk if
the recession continues to hammer vital public services*

As the General Assembly's Joint Budget Committee works through writing the 2010-11 budget this month, the panel's staff is identifying options for budget cuts that could be needed if the Legislature rejects some of Gov. Bill Ritter's proposals or if state revenue projections further decline.

This report outlines the potential budget cuts that have been identified through the Joint Budget Committee (JBC) budget-writing process as of March 11. The committee is expected to continue its review of each department before submitting a budget proposal, known as the Long Bill, to the rest of the Legislature. Traditionally, the Long Bill plods through both houses of the General Assembly with much debate but ultimately with few changes.

Before the Long Bill is formally introduced in late March, the JBC is expected to get updated revenue projections from the Legislature's nonpartisan staff, the Legislative Council, on Friday, March 19. Those projections could force JBC members to make additional cuts to services it has already reviewed in order to submit a balanced budget to their colleagues. As a result, advocates for low-income people should begin urging lawmakers to protect the services listed below even before those ideas receive final consideration.

Human Services

The **Aid to the Need Disabled State-Only Grant Program** is the largest line item in the Department of Human Services that has been identified as a potential future budget cut. Eliminating funding for the program would deny funding each month for nearly 6,000 Coloradans who depend on the program's basic services, while saving the state \$14 million for the year. The program serves people who have a disability that prevents them from working for at least six months and are awaiting approval of Supplemental Security Income from the federal government. About 18 percent of the recipients are homeless.

Other potential cuts from the Department of Human Services:

- Reducing cash funding for Senior Services, \$8 million

- Further refinancing child welfare services with Temporary Aid to Needy Families reserve funds, \$7 million
- Transferring money from the Low-income Energy Assistance Program to the general fund, \$3.25 million
- Eliminating the general-fund appropriation for senior services, \$966,000
- Reducing the county block grant and child support, \$659,000
- Imposing a \$1 per month fee on users of the Electronic Benefits Transfer System, \$600,000
- Reducing funding for human resources, \$141,000

Education

So far, the JBC has identified more options for future budget cuts in preschool through 12th-grade education than in any other portion of the budget, perhaps because it accounts for the largest portion of general-fund spending. Still, many of the potential cuts are alarming and could have detrimental effects on children in low-income families.

Research shows preschool and full-day kindergarten provide 4-, and 5-year-olds a valuable beginning not just to their educational careers but also to the rest of their lives. The lifetime benefits range from learning more in school and being more likely to graduate from high school to being less likely to end up the criminal justice system or have children outside of marriage. The benefits are inescapable, yet because Colorado's school funding formula treats preschool and full-day kindergarten differently than grades 1-12, these two early-childhood programs are at risk of losing funding as lawmakers wrestle with balancing the budget.

One potential cut would have the state eliminate or reduce the \$67.6 million that pays for sending 20,160 at-risk children to preschool. Another possible cut would save the state up to \$42.4 million by reducing the per-pupil funding for kindergarten from 0.58 full-time-equivalent (FTE) per student to 0.5 FTE, and eliminating a "hold-harmless" provision that continues providing full-day kindergarten funding to districts that at one time funded the program through the Colorado Preschool Program when that was permissible. Cutting funding for either the preschool or full-day kindergarten program would pass the burden of keeping these programs alive to local school districts, which are also facing revenue shortfalls because of the recession.

The next round of cuts in education could also target three programs that help provide meals to students in low-income families. These meals not only ensure those children don't go hungry, but they also help improve the children's capacity to learn.

- **Child Nutrition School Lunch Protection Program.** The JBC could eliminate \$850,000 from school lunch programs. That would mean children in families that earn between 130 percent and 185 percent of the federal poverty level (\$28,665 and \$40,793 for a family of four) would pay \$0.40 per lunch instead of getting them free. For a family with two children, over the course of a 180-day school year, that equals \$144 in added lunch cost. That would affect 10,164 students from preschool through grade 2, according to the Department of Education.
- **Start Smart Nutrition Program.** The JBC could eliminate \$700,000 in funding for breakfast programs. That would mean children in families that earn between

130 percent to 185 percent of the federal poverty level (\$28,665 and \$40,793 for a family of four) would pay \$0.30 per breakfast instead of getting them free. For a family with two children in school, over the course of a 180-day school year, that equals \$108 in added lunch cost. The Department of Education estimates the change would affect 12,926 students in all grades.

- **School Breakfast Program.** The JBC could eliminate \$500,000 in funding for breakfast at 302 low-performing schools. This is not an income-eligible program. It helps children in struggling schools, which are often in lower-income areas.

Other potential education cuts include:

- Eliminating or reducing the use of prior years enrollment for funding, up to \$18.6 million
- Eliminating or reducing the “floor” for per pupil spending, affects 14 districts, \$14 million
- Transferring money from the Read-to-Achieve cash fund to the general fund, \$6.5 million
- Eliminating or reducing state aid for charter schools, \$5 million
- Closing the Achievement Gap pilot program, \$1.8 million

One other significant item has been identified as a potential budget cut by the JBC. The committee has considered cutting the **Colorado Affordable Housing Construction Grants and Loans** program from \$2.25 million to \$100,000. The program not only provides safe, affordable homes for thousands of Coloradans, but it also helps spur economic activity and creates jobs. Although JBC members have already taken action to protect the program, the issue is expected to resurface if revenues decline.

Better options

None of the potential budget cuts listed above is acceptable. All would harm vital services provided to Colorado families, which continue to struggle through the recession. That is why the Colorado Fiscal Policy Institute is urging lawmakers to take a balanced approach to solving the state’s budget crisis. Spending cuts certainly have to be a part of the solution – and they have been for two years now – but it is also time for the Legislature to consider ways to raise revenue. Lawmakers have considered several bills that raise a minor amount of revenue by closing tax breaks for certain industries. It is also possible the Legislature will look further at closing some specific corporate tax loopholes before the General Assembly’s session ends May 12. But ultimately, the problem is systemic. Colorado’s budget and revenue structure is out of balance. The time has come to seek a sustained revenue solution – one that would likely need voter approval – to provide resources needed to continue critical services for Colorado’s families.

The Colorado Fiscal Policy Institute is a project of the Colorado Center on Law and Policy, a nonprofit, nonpartisan research and advocacy organization working for justice and economic security for all Coloradans.

Contact: Terry Scanlon
Fiscal Policy Analyst
303-573-5669 ext. 311
tscanlon@cclponline.org